

Message Text

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ACTION OPIC-12

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 4289

UNCLAS CARACAS 05665

E.O. 11652: N/A

TAGS: EFIN, VE

SUBJECT: REYNOLDS APPLICATION FOR OPIC INSURANCE (#529-72-087)

REF: STATE 120954

1. IN OUR OPINION, NNEW POLICIES ANNOUNCED BY VENEZUELAN GOVERNMENT APRIL 29 HAVE LIMITED RELEVANCE TO REYNOLDS APPLICATION FOR OPIC INSURANCE FOR EXPANSION OF PLANT. ACTION TAKEN ON TWO ALUMINUM PLANTS, ONE INVOLVING REYNOLDS, CONCERNED OTHER PLANTS INVOLVING JAPANESE IN WHICH GOVERNMENT STATED OBJECTION TO MINORITY PARTICIPATION ON PART OF VENEZUELA. THIS OBJECTION DOES NOT APPLY TO EXPANSION OF ALCASA PLANT WHICH IS BASED ON 50-50 OWNERSHIP BY REYNOLDS AND VENEZUELAN GOVERNMENT. PRESIDENT PEREZ IN APRIL 29 SPEECH ALSO INCLUDED ALUMINUM OPERATION WITHIN BOUNDS OF NATURAL RESOURCES SECTOR, ON GROUNDS IT WAS BASED ON POWER RESOURCES OF GAS AND ELECTRIC POWER. UNDER THIS CONCEPT, VENEZUELAN PARTICIPATION WOULD BE GOVERNMENTAL, NOT PRIVATE SECTOR.

2. WE NOTE INSURANCE IS FOR PLANT EXPANSION THAT IS NOW VIRTUALLY COMPLETED, AND BELIEVE IT WOULD BE INAPPROPRIATE FOR U.S. GOVERNMENT TO CANCEL INSURANCE AT THIS POINT. WE ARE IN ACCORD WITH POLICY TO SUSPEND INSURANCE ISSUANCE IN VENEZUELA AND OTHER AND EARTH PACT COUNTRIES FOR TIME BEING, BUT THIS IS PROJECT OF LONG STANDING AND WE BELIEVE CONCLUSION OF THIS CONTRACT WOULD NOT CONTRAVENE THAT POLICY.

MCCLINTOCK

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